IF CONTROLS RETURN—

A NEW RUSH TO BUILD

RISE OF U.S. SPENDING

1947 GIFTS: TAX RULES
THE REAL COMMUNISTS

BY DAVID LAWRENCE

The real communists are not in Hollywood. Nor are they to be found in any substantial number in the rank and file of American labor unions.

The real collectivists and socialists are in Washington—in the high places of government, in the high councils of national labor unions, in the high councils of the Democratic party.

For the real communists which America must combat are not those who are in league with foreign governments or who are "subversive" in the sense that they wish to see our form of government overthrown by physical force.

America has only a handful of communists who sympathize with totalitarianism in Russia or are really working in the interests of a foreign power.

But America has many citizens whose loyalty to the United States is unquestioned and who yet are the enemies of our risk-capital system. They are doing everything in their power to overthrow it by political means.

The enemies of our system of risk capitalism are for the most part conscientious citizens with a sincere conviction that state socialism is better for America than the "free enterprise system." They do not avow that belief. They would be offended if called by any other label except "liberals."

This very group, however, strives to destroy our system of risk capitalism. They really want government capital and government control substituted for and some form of planned economy established, with the government as master. This group is infiltrating our government, our churches, our schools and colleges.

Undermining tactics: The underlying strategy at the moment of the group is to break down America's strongest sinew of strength—the profit-and-loss system.

In recent months the main attack against the profit-and-loss system has come from the strategists in the CIO, aided and abetted by Democrats of the radical school of thought in Congress.

The objective seems to be to undermine all confidence in the profit-and-loss system, first, by arguing that profits are too high and, second, by attributing all price increases to "profiteering" and playing down the part that wage increases or agricultural conditions or scarcities of materials have played in the inflation of prices.

Confusing the facts on profits: The attack isn't subtle. It is cut in the open. It starts with the emphasis on the numerical size of profits. It ignores the large volume of business done in an inflationary period and the fact that profits have not changed materially in ratio when related to the national income. It omits mentioning that the profit dollar is taxed twice and that the purchasing power of the profit dollar has shrunk by 51 per cent while the worker's dollar has diminished but 59 per cent.

It ignores, moreover, the fact that profit margins were per cent per dollar of sales have not varied materially from pre-war averages. It overlooks entirely the fact that the book value of capital in terms of the cost of plant or buildings or equipment is low and that any use of "net" worth when applied to 1935 figures will necessarily be wrong today. For the "book value" of capital is not a true picture on which to make measurements of profit.

A locomotive still running today was bought at about $56,000 in pre-war days. A new one costs about $150,000. A plant unit to produce an ingot of steel is on the books at a depreciated level of about $50 whereas a new unit would cost close to $200 today.

Plant is wearing out. Machinery must be replaced at present-day costs—not "book value" costs. Where is the capital coming from to replace what is worn out?

Fortunately, the excess-profits tax was repealed in time to prevent the worst depression America would have faced in her whole history. The communists and radicals call it a "windfall" and ignore the economic implications altogether. They want fixed expenses increased because one or two years of readjustment show numerical profits to be high. They ignore the fact that the ratio of profits to total sales in 1947, according to the Department of Commerce figures, is less than eight-tenths of one per cent above that of 1939.

After eliminating the inventory profits, which are temporary, and the benefits due to inventory prices, the profits are even lower. And this is at a time when the real exchange gains and losses are discounted.
Undermining confidence in risk capitalism is first step to state socialism—
Strategy of blaming all economic ills on profits without disclosing real picture
High taxation promotes communistic doctrine of levelling all incomes.
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